

# COUNTY OF SISKIYOU, CALIFORNIA



MANAGEMENT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2008

Mgt. Ltr.  
5/22/09

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**COUNTY OF SISKIYOU, CALIFORNIA**  
**MANAGEMENT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Transmittal Letter .....	1
Required Communication .....	2-3
Current Year Comments - Financial Statements .....	4-10
Current Year Comments - Single Audit .....	11-12
Status of Prior Year Findings - Financial Statements .....	13

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To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

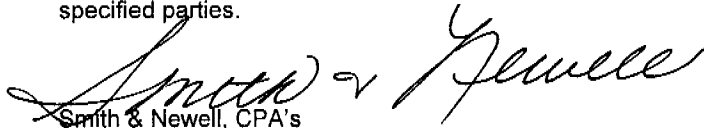
We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Siskiyou, Yreka, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Professional standards require that independent auditors communicate with the County about matters that are important to the County's oversight role. We previously reported on internal control and compliance in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and in our Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 dated March 6, 2009.

However, during our audit we became aware of certain other matters that are opportunities for strengthening internal controls and operating efficiency. The following report summarized all our comments and suggestions including immaterial noncompliance, control deficiencies that are not considered significant deficiencies or material weaknesses and other matters involving internal control.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with the County management, and we will be pleased to discuss them in further detail at your convenience.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and its regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Smith & Newell, CPA's  
Yuba City, California  
March 6, 2009

**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
REQUIRED COMMUNICATION  
FOR THE YEAR ENDED JUNE 30, 2008**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Siskiyou, California, for the year ended June 30, 2008, and have issued our report thereon dated March 6, 2009. Professional standards require that we provide you with the following information related to our audit.

**1. Our Responsibilities Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by management and Smith & Newell, CPAs with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Siskiyou's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Siskiyou's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Siskiyou's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on County of Siskiyou's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Siskiyou's compliance with those requirements.

**2. Planned Scope and Timing of Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

**3. Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements are depreciation of capital assets and estimated cost of infrastructure assets.

Management's estimate of depreciation is based on estimated or actual historical cost and the useful lives of such assets. We evaluated the key factors and assumptions used to develop depreciation estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
REQUIRED COMMUNICATION  
FOR THE YEAR ENDED JUNE 30, 2008**

**4. Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**5. Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management.

Recording purchase of Yreka landfill

Recording pension obligation bonds

**6. Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**7. Management Representations**

We have requested certain representations from management that are included in the management representation letter.

**8. Management Consultations with Other Independent Auditors**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**9. Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the County and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**MANAGEMENT REPORT**  
**CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-01    STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)**

**Condition**

Currently, the County relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

**Cause**

Prior to issuance of SAS 112, the County was able to rely on the external auditors to assist with recording certain financial transactions and with preparation of the financial statements and related notes without being subject to control deficiencies.

**Criteria**

In May 2006, a new auditing standard, Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), was issued. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

**Effect of Condition**

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to assist with recording certain financial transactions and to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

**Recommendation**

The County may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. This training should include, but is not limited to, the usage of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to consult with for proper transaction recording for unusual transactions and to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls.

**Corrective Action Plan**

The Auditor has full capability of performing this portion of the preparation of the financial statements. The financial system has been modified to properly rearrange funds as necessary and the implementation of the programming that would pull together the combination statements is partially implemented at this point. It has been a goal we have been working towards since SAS 112 was issued.

The time to do this additional work is what will determine whether we accomplish this task in the next year.



**COUNTY OF SISKIYOU, CALIFORNIA**  
**MANAGEMENT REPORT**  
**CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-02 PENSION OBLIGATION FUNDS (Financial Reporting: Material Weakness)**

**Condition**

The County issued \$16,620,000 in pension obligation bonds and used the proceeds to payoff the PERS unfunded liability for the miscellaneous plan and the safety plan, but did not record the debt proceeds, payment of pension obligation to PERS, bond issuance costs, underwriters discount, or residual cash with fiscal agent in the general ledger.

**Cause**

Procedures were not in place to ensure compliance with generally accepted accounting principles.

**Criteria**

Generally accepted accounting principles require that all debt issued and all payments made with debt proceeds be properly recorded in the general ledger.

**Effect of Condition**

The proceeds from the issuance of debt and pension obligation expenditures were not recorded in the general ledger. This material misstatement was detected as a result of audit procedures.

**Recommendation**

We recommend that the County properly record all debt issuances and use of debt proceeds in the general ledger. We further recommend that the County take appropriate action to ensure that in the future, procedures are in place to ensure compliance with generally accepted accounting principles prior to the audit.

**Corrective Action Plan**

We agree that this transaction was only partially recorded. We have not experienced such a transaction before so our contact with the outside auditor was limited in scope at the time of the transaction with the idea that when they were on site, they would review what we had done thus far and let us know what we had missed. This worked very well. Had the cash flowed through the treasury, we could have managed this far better but the cash flowed directly from the bond proceeds to CalPERS which made the transaction more unusual for us. We chose to record what we knew to be correct and leave the rest for direct input from the auditors.

**08-FS-03 YREKA LANDFILL CLOSURE (Financial Reporting: Material Weakness)**

**Condition**

During the fiscal year ended June 30, 2008, the County completed the purchase of the Yreka landfill site from the City of Yreka. The terms of the purchase required the City to pay the County \$1,100,000 from the landfill closure account, \$1,000,000 as a purchase payment and \$175,000 per year for the next twenty five years. In exchange, the County was to assume all responsibility for operation of the landfill as well as responsibility for closure and post closure maintenance. The County recorded the cash received but did not record any other portion of the purchase.

**Cause**

Procedures were not in place to ensure compliance with generally accepted accounting principles.

**Criteria**

Good control over County operations requires that all significant entries be recorded in accordance with generally accepted accounting principles.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**MANAGEMENT REPORT**  
**CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-03    YREKA LANDFILL CLOSURE (CONTINUED)**

**Effect of Condition**

The County incorrectly recorded the Yreka landfill purchase. The only portion of the transaction that was recorded was the cash received. The long term receivable and the closure/post closure liability were not recorded. This material misstatement was detected as a result of audit procedures.

**Recommendation**

We recommend that the County record the purchase of the Yreka landfill in accordance with generally accepted accounting principles. We further recommend that the County take appropriate action to ensure that in the future, procedures are in place to ensure compliance with generally accepted accounting principles prior to the audit.

**Corrective Action Plan**

This was one of the most unusual transactions I have had to deal with. We purchased a negative valued asset. This was also discussed with the outside auditors at the time of the transaction and our decision was to record the cash received and wait for the on-site visit where all the documentation could be reviewed by the audit firm and appropriate direction could be given.

**08-FS-04    CLOSURE/POST CLOSURE LIABILITY CALCULATION (Financial Reporting: Significant Deficiency)**

**Condition**

The County did not apply the annual inflation factor to the post closure liability for the closed landfills and did not reduced the liability by current year expenses incurred. In addition, the calculation of the current closure/post closure cost estimate for Yreka landfill submitted to the California Integrated Waste Management Board on July 30, 2008, did not use the correct annual inflation factor.

**Cause**

Procedures were not in place to ensure that the calculation of the closure/post closure liability was correct. This misstatement was detected as a result of audit procedures.

**Criteria**

Each year the landfill operator is required to complete the annual inflation factor calculation worksheet for each active and/or inactive landfill owned or operated for submission to the State as required by Title 27, California Code of Regulations, Division 2, Subdivision 1, Chapter 6, Subchapter 3, Article 1, Section 22236.

**Effect of Condition**

The closure/post closure liability was incorrectly calculated.

**Recommendation**

We recommend that the County complete the annual inflation factor calculation worksheet for each active and/or inactive landfill and reduce the closure/post closure liability by current year expenses incurred. We further recommend that the County take appropriate action to ensure compliance with California Integrated Waste Management Board regulations prior to the audit.

**Corrective Action Plan**

This has been done correctly in the past but staff that did this retired and the remaining staff was not aware that they needed to contact CIWMB for the inflation factor. This has been rectified as of this date and procedures are documented for future calculations.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**MANAGEMENT REPORT**  
**CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-05      LACK OF TIMELY PROCESSING**

**Condition**

During our fieldwork, we noted that the County issued warrants more than 30 days after the date of the invoice.

**Cause**

Invoice processing is a time consuming procedure and the department staff was not able to perform this function in a timely manner.

**Criteria**

Invoices should be processed in a timely manner.

**Effect of Condition**

Invoices were not processed in a timely manner and several bills in our sample were not paid within 30 days.

**Recommendation**

We recommend that procedures be modified to ensure that invoices are processed in a timely manner and that checks are issued within 30 days of the invoice date.

**Corrective Action Plan**

We are in year two of training new staff. Two staff have been promoted from Fiscal Technician I to Fiscal Technician II. None have reached the III level at this time. Training new staff is at minimum a two year process. The wide variety of departments, situational needs, state and federal laws and their associated reporting, understanding of how to implement contractual arrangements, in addition to the auditing of the claims is daunting for a new person despite their previous experience.

Our current staff has progressed very well and we have gone from having claims in our office for far longer than 30 days to consistently meeting our departmental standard of no more than 10 days within the office. There are times that reflect a heavier volume such as June, July and August. Claims that are held in a department for too long are beyond our control.

We are in the process of implementing an electronic payment process that will allow us to use our existing software capabilities that will allow us to take advantage of vendor allowed discounts if paid within a specific time frame and at minimum, keep us within the 30 day period. The 08/09 fiscal year is an implementation year where the initial departments will be Child Support, the Recorder and the Auditor. We are designing the process to handle far more complex payment environments such as Road and the Sheriff but want to limit the testing initially. As we are confident that these first three are working smoothly, we will be bringing on one to two departments at a time to allow for thorough training and testing for each.

**08-FS-06      INMATE MONIES**

**Condition**

At the time of our fieldwork, we noted that although the Inmate Trust bank account was reconciled to the bank activity on a monthly basis, the balance held in the account was not reconciled to a detail listing of inmates for which the money was held.

**Cause**

The Department did not maintain a detail listing of inmates for which money was held.

**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-06        INMATE MONIES (CONTINUED)**

**Criteria**

Good internal control over monies held for inmates requires that the bank account balance be reconciled to the check register balance and to the detail listing of inmates for which the money was held.

**Effect of Condition**

The risk of errors and/or irregularities occurring and not being detected is increased when monies held in the Inmate Trust bank account are not reconciled to a detail listing of inmates for which the money was held.

**Recommendation**

We recommend that the Inmate Trust bank account be accounted for using a check register and the balance held be reconciled to the check register balance and a detailed listing of inmates for which the money was held.

**Corrective Action Plan**

We agree with this finding and have been working with the department to develop methodology that will allow regular balancing of this account.

**08-FS-07        ENCUMBRANCES**

**Condition**

At the time of our audit we noted errors in the reserve for encumbrances. Amounts that should have been encumbered were not included in reserve for encumbrances and amounts which were included in accounts payable, were in several instances also included in reserve for encumbrances.

**Cause**

Procedures were not in place to ensure that reserve for encumbrances was correctly stated.

**Criteria**

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies, but not meeting the modified accrual criteria, are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities.

**Effect of Condition**

Reserve for encumbrances and undesignated fund balance were not correctly stated at June 30, 2008

**Recommendation**

We recommend that procedures be implemented to ensure that all encumbered amounts be properly recorded in the reserve for encumbrances.

**Corrective Action Plan**

Surprisingly enough, we have used this same process for some time and attribute how we have chosen to do these to software limitations and ease of processing for staff. We agree with this finding and have worked out a process that will meet this requirement beginning in the 08/09 fiscal year as it rolls to 09/10.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**MANAGEMENT REPORT**  
**CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-08      RESERVES AND DESIGNATIONS OF FUND EQUITY**

**Condition**

We noted that the County has reserves and designations recorded in the general ledger which have had no change in amount for several years.

**Cause**

The reserves and designations recorded on the primary accounting records of the County do not appear to have been reviewed on a regular basis.

**Criteria**

In governmental fund accounting and reporting, use of the term reserve should be limited to indicating that a portion of the fund balance is not appropriable for expenditures or is legally segregated for a specific future use. Governmental fund balance designations may be established to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or for equipment replacement. Such designations reflect tentative managerial plans or intent and may be changed as deemed appropriate by the County Board of Supervisors.

**Effect of Condition**

Reserves and designations of governmental funds do not appear to have been reviewed on a regular basis and may not be accurately stated or may not be an accurate reflection of tentative managerial plans.

**Recommendation**

We recommend that the County analyze all classification of fund equity and ensure that they are accurately stated and an accurate reflection of tentative managerial plans.

**Corrective Action Plan**

At the end of each accrual period, all reserves and designations are evaluated based on their activity during the previous fiscal year. Each has an activity code assigned to it whether it is revenue or an expenditure and as such are adjusted accordingly.

However, when there is no activity in a reserve or designation, that information has historically only been provided to the CAO during the budgeting process. I see value in bringing all designations and reserves forward for Board review whether activity has occurred or not and will do this prior to final budget adoption. This will allow them to familiarize themselves with what funds are segregated and what they can and cannot be used for and provide direction, perhaps, to their budget team.

**08-FS-09      CAPITAL ASSETS AND ACCUMULATED DEPRECIATION**

**Condition**

At the time of our fieldwork we noted that the depreciation expense and the related accumulated depreciation had not been recorded in several proprietary funds. We also noted that capital asset acquisitions were recorded as expenses and had not been reclassified to the balance sheet as a capital asset.

**Cause**

The County did not reconcile the depreciation schedules to the general ledger accounts.

**Criteria**

Generally accepted accounting principles require that proprietary funds account for capital assets as exhaustible assets and provide depreciation over the assets' estimated useful life.

**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-09      CAPITAL ASSETS AND ACCUMULATED DEPRECIATION (CONTINUED)**

**Effect of Condition**

The balance sheet and the income statements did not reflect depreciation for the year and capital assets were recorded as an expense instead of on the balance sheet as a capital asset.

**Recommendation**

We recommend that depreciation expense be recorded in the proprietary funds and that the depreciation schedules be reconciled to the County's general ledger.

**Corrective Action Plan**

We agree with this recommendation. The 07/08 fiscal year was the first year our depreciation module was in test mode for the General Fixed Asset Group which apparently occupied our full attention. The proprietary funds were simply an oversight. This should not happen again.

**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
CURRENT YEAR COMMENTS - SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2008**

08-SA-01

<b>Name:</b>	<b>COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII</b>
<b>CFDA #:</b>	<b>14.228</b>
<b>Federal Grantor:</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass Through Entity:</b>	<b>State Department of Social Services</b>
<b>Award No.:</b>	<b>Various</b>
<b>Year:</b>	<b>2007/2008</b>

**Condition**

During our testing of fourteen CDBG loans receivable we noted the following:

- Loan balances per the loan portfolio did not include return of unused funds and the unused funds were not properly recorded in the general ledger.
- Loans were not monitored to ensure that a current verification of income was on file, that payments were being made timely and in accordance with the loan agreement, and that the required deed of trust had been filed and recorded.
- One loan for which the loan balance per the amended promissory note did not agree to the loan balance per the general ledger.
- One loan that was not properly recorded on the general ledger and required adjustment to correct the balance.
- One loan for which payments were to begin 02-05-04, however no payments have been received and the late fee of \$5 per payment had not been applied to the loan.
- The loan files lack organization and we noted there is no checklist of required documentation in each file.

**Perspective**

All CDBG loan files we tested contained some type of error.

**Cause**

Responsibility for the CDBG loans receivable has been transferred between County departments and has not been adequately monitored for compliance with the loan agreements or to ensure that all required documentation is filed and properly recorded.

**Criteria**

CDBG loan programs are to be monitored in accordance with the State of California program requirements and each loan should be monitored for compliance with the individual loan agreement.

**Effect of Condition**

The County is not properly monitoring CDBG loans receivable for compliance with the loan agreements. In addition, the County is not ensuring that all documentation is filed and recorded to protect the County's interests should a loan default, and is not properly recording and monitoring loan receivable balances.

**Questioned Costs**

No costs are questioned. The problems was that loans were are not being properly monitored for compliance with the loan agreements.

**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
CURRENT YEAR COMMENTS - SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2008**

**08-SA-01 (CONTINUED)**

**Recommendation**

We recommend that the County develop policies and procedures for the processing and maintenance of CDBG loans. We further recommend that all CDBG loan files be reviewed to ensure that all required documentation is in the file and that files be organized so that required documentation is easily identified.

**Corrective Action Plan**

1. The financial worksheet did not match the promissory note on one of the sample test loans and the general ledger amount had not been adjusted accordingly. The return of the funds was booked as a reduction of expense but the general ledger portion of the entry was not completed. All loans have been reviewed and additional training has been added for staff to understand that both the income statement as well as the balance sheet must be adjusted.
2. These files were in the Auditor's office for years and staffing levels did not allow us to perform this level of monitoring. We depended upon our contractor to do these things for us. The year they were in the Administrator's office did not allow their staff person time to get to these either. Since October of 2007, we have consistently been working on going through all files for a very wide variety of purposes of which gaining current income information is one of them. In the early years, most loans were done at 0% interest with deferred payments which would not allow us to change anything should the individual's income change.
3. This specific loan has subsequently been corrected.
4. This loan has also been corrected and processes have been developed to monitor both situations in No. 3 and No. 4.
5. The \$5 late fee can only be applied to those loans requiring a payment. All loans made in the past 8 or more years have required a minimum payment each month and we have not added this late fee but have stayed on top to these payments by demand letters which have been fairly successful. The majority of loans prior to this time frame did not require any payment at all and had a 0% interest rate. No late fee can be applied. For those that the late fee can be applied to, we will be including that in the future.
6. We have spent a great deal of time tracking down missing documentation on older files as it is. We realize that there is more work to be done. We have developed a check list for each type of loan and a standard filing format that will allow those items to be easily identified as missing or present and exactly where to find them in the file. In cases where the documentation and proper recordings were not followed through with when using the contractor, we have enlisted the assistance of County Counsel to guide us through all legal avenues of recovery available to us.



**COUNTY OF SISKIYOU, CALIFORNIA  
MANAGEMENT REPORT  
STATUS OF PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Finding</u>
07-01	<b>INACCURACIES IN GENERAL LEDGER</b>  <b>Recommendation</b>  We recommend that the general ledger be adequately reviewed and adjusted prior to submitting it for audit.  <b>Status</b>  In Progress
07-02	<b>LOANS RECEIVABLE</b>  <b>Recommendation</b>  We recommend that procedures be developed to ensure that loans receivable are properly monitored and reconciled timely. We further recommend that loans receivable be reconciled at least monthly and that interest be accrued in accordance with the loan agreements.  <b>Status</b>  Not Implemented
07-03	<b>FUND CLASSIFICATION</b>  <b>Recommendation</b>  We recommend that the County review the operation of the Courthouse Construction fund and determine the proper classification.  <b>Status</b>  Implemented
07-04	<b>GASB 43 and 45</b>  <b>Recommendation</b>  We recommend that the County continue to plan for a timely implementation of GASB 43 and 45.  <b>Status</b>  In Progress

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